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DEPARTMENT OF AUDITOR-CONTROLLER**

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June 3, 2008

TO: Supervisor, Yvonne B. Burke Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*  
Acting Auditor-Controller

SUBJECT: **PEOPLE ASSISTING THE HOMELESS – A DEPARTMENT OF PUBLIC  
SOCIAL SERVICES COMMUNITY SERVICES BLOCK GRANT  
PROGRAM PROVIDER**

We have completed a program, fiscal and administrative contract compliance review of People Assisting The Homeless (PATH or Agency), a Department of Public Social Services (DPSS) Community Services Block Grant (CSBG) Program provider.

**Background**

DPSS contracts with PATH, a private non-profit organization to provide and operate the CSBG Program. The CSBG Program promotes the principles of self-help and assists low-income families and individuals to become self-sufficient. PATH provides emergency and transitional housing for homeless adults and families. The services include a range of employment services for clients, including career counseling, case management, job preparation workshops, computer training, adult education and job placement. PATH is located in the Second District.

PATH is compensated on a cost reimbursement basis and has a contract for \$39,680 for Calendar Year 2007.

### **Purpose/Methodology**

The purpose of the review was to determine whether PATH complied with its contract terms and appropriately accounted for and spent CSBG funds in providing the services outlined in their County contract. We also evaluated the adequacy of PATH's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of PATH staff.

### **Results of Review**

The seven participants sampled met the eligibility requirements for the CSBG Program and received the services outlined in the County contract. However, PATH did not always comply with the County contract. For example, PATH:

- Billed DPSS based on budget not actual costs incurred, resulting in an overbilling of \$815 on their final close-out invoice for Calendar Year 2006.
- Billed DPSS \$532 in shared costs that should have been allocated to other programs.
- Allocated payroll costs for two employees who worked on multiple programs based on budget not actual hours worked in Calendar Year 2007.

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with PATH on May 7, 2008. In their attached response, PATH management concurred with our findings and recommendations and indicated they will reimburse DPSS the amounts owed for Calendar Years 2006 and 2007. We notified DPSS of the results of our review.

We thank PATH for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: William T Fujioka, Chief Executive Officer  
Philip L. Browning, Director, Department of Public Social Services  
Joel John Roberts, Chief Executive Director, People Assisting The Homeless  
Public Information Office  
Audit Committee

**COMMUNITY SERVICES BLOCK GRANT PROGRAM  
PEOPLE ASSISTING THE HOMELESS  
FISCAL YEAR 2007-08**

**ELIGIBILITY**

**Objective**

Determine whether People Assisting The Homeless (PATH or Agency) provided services to individuals that meet the eligibility requirements of the Community Services Block Grant (CSBG) program.

**Verification**

We reviewed the case files for all seven program participants that received services from January through September 2007 for documentation to confirm their eligibility for CSBG services.

**Results**

All seven program participants sampled met the eligibility requirements for the CSBG Program.

**Recommendation**

**There are no recommendations for this section.**

**PROGRAM SERVICES**

**Objective**

Determine whether PATH provided the services in accordance with their County contract and CSBG guidelines.

**Verification**

We reviewed the documentation contained in the case files for the seven participants that received services from January to September 2007 to ensure that the services were provided in accordance with the County contract.

**Results**

PATH provided the services as outlined in the County contract. The case files for the seven program participants contained documentation to support the service billed to Department of Public Social Services (DPSS).

**Recommendation**

**There are no recommendations for this section.**

**CASH/REVENUE**

**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's August and September 2007 bank reconciliations.

**Results**

PATH appropriately recorded and deposited cash receipts timely to the Agency's bank account. PATH also performed monthly reconciliations. However, PATH's bank reconciliations were not signed or dated by the preparer.

**Recommendation**

- 1. PATH management ensure that bank reconciliations are signed and dated by the preparer.**

**EXPENDITURES/PROCUREMENT**

**Objective**

Determine whether non-payroll program expenditures were allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 12 non-personnel expenditure transactions billed by the Agency for August and September 2007, totaling \$924.

**Results**

PATH's expenditures were allowable, properly documented and accurately billed.

**Recommendation**

There are no recommendations for this section.

**ADMINISTRATIVE COMPLIANCE**

**Objective**

Determine whether PATH is in compliance with program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals.

**Results**

Generally, PATH was in compliance with the County contract requirements. However, PATH did not maintain the required level of crime and professional liability insurance coverage. Subsequent to our review, PATH obtained the professional insurance and provided proof of the insurance.

**Recommendation**

2. PATH management ensure that the required level of crime insurance coverage is maintained.

**FIXED ASSETS AND EQUIPMENT**

**Objective**

Determine whether PATH's fixed assets and equipment purchased with CSBG funds are used for the CSBG program and safeguarded.

We did not perform testwork in this section as PATH did not use CSBG funding to purchase fixed assets or equipment.

**PAYROLL AND PERSONNEL**

**Objective**

Determine whether payroll expenditure transactions are appropriately charged to the CSBG program. In addition, determine whether personnel files are maintained as required.

**Verification**

We reviewed payroll expenditures for three employees during September 2007 totaling \$1,680. We also interviewed staff and reviewed the personnel files for the three staff assigned to the program.

**Results**

PATH maintained personnel files as required by the County contract. However, PATH allocated \$2,118 in payroll costs for two employees who worked on multiple programs based on budget not actual hours worked.

**Recommendations****PATH management:**

3. **Provide documents to support the payroll costs and repay DPSS for amounts not supported.**
4. **Ensure that employees' timecards indicate the total hours worked each day by program.**
5. **Bill DPSS based on actual expenditures.**

**COST ALLOCATION PLAN****Objective**

Determine whether PATH's Cost Allocation Plan was prepared in compliance with the Contract and the Agency used the plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed PATH's Cost Allocation Plan and reviewed a sample of expenditures incurred by PATH during August and September 2007 to ensure that the expenditures were properly allocated to the appropriate programs.

**Results**

PATH's Cost Allocation Plan was prepared in compliance with the County contract. However, PATH allocated \$532 in shared costs, such as, food, travel costs, linen services and office supplies based on funding availability instead of complying with the Cost Allocation Plan.

**Recommendations****PATH management:**

6. Repay DPSS \$532.
7. Allocate the shared costs in accordance of their approved Cost Allocation Plan.

**CLOSE-OUT REVIEW****Objective**

Determine whether PATH's Calendar Year 2006 close-out invoice reconciled to the Agency's financial accounting records.

**Verification**

We traced PATH's general ledger to the Agency's final close-out invoice. We also reviewed a sample of expenditures incurred in 2006.

**Results**

PATH overbilled DPSS \$1,141. Specifically:

- PATH's close-out invoice indicated \$815 more in salaries, travel and equipment rental costs than the Agency's general ledger.
- PATH allocated \$231 in telephone charges based on unsupported allocation rate.
- PATH billed DPSS \$95 in supplies purchased within the last two months of contract period without obtaining a prior written approval from DPSS as required.

**Recommendations****PATH Management:**

8. Repay DPSS \$1,141.
9. Maintain adequate supporting documentation to support the expenditures billed to the program.
10. Ensure that supplies are not purchased during the last two months of the contract period without prior written approval from DPSS.



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May 8, 2008

Wendy L. Watanabe  
Acting Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 525  
Los Angeles, California 90012

Dear Ms. Watanabe,

This letter is in response to the audit conducted of PATH's CSBG contract (contract #35222) for the contract period 1/1/07 -- 12/31/07. Below are specific responses to each of the recommendations made by the auditor.

***CASH/REVENUES***

Results: PATH appropriately recorded and deposited cash receipts timely to the Agency's bank account. PATH also performed monthly reconciliations. However, PATH's bank reconciliations were not signed or dated by the preparer.

Recommendation:

1. PATH management ensure that bank reconciliations are signed and dated by the preparer.

Response:

1. Since the audit, PATH has made it a policy to have the preparer sign and date all bank reconciliations.

***ADMINISTRATIVE COMPLIANCE***

Results: Generally, PATH was in compliance with the County contract requirements. However, PATH did not maintain the required level of crime and professional liability insurance coverage. Subsequent to our review, PATH obtained the professional insurance and provided a proof of coverage.

Recommendations:

2. PATH management ensure that the required level of crime insurance coverage is maintained.

Response:

2. As stated in the audit report, subsequent to the audit PATH obtained the insurance required and provided proof of insurance. PATH management will ensure that the required level of insurance coverages are maintained in the future.



#### ***PAYROLL AND PERSONNEL***

Results: PATH maintained personnel files as required by the County contract. However, PATH allocated \$2,118 in payroll costs for two employees who worked on multiple programs based on budget not actual hours worked.

#### Recommendations:

PATH Management:

3. PATH management: provide documents to support the payroll costs and repay DPSS for amounts not supported;
4. Ensure that employees' timecards indicate the total hours worked each day by program;
5. Bill DPSS based on actual expenditures incurred, not estimates.

#### Response:

3. PATH invoiced CSBG for two staff positions – Program Manager and Residential Associate – based on actual hours worked (all hours billed were actual hours worked, as evidenced by employee timecards). Because these employees worked on multiple programs, PATH will use our Cost Allocation Plan to determine the portion of the personnel costs for these staff positions that ought to have been allocated to CSBG, and will repay DPSS for any amount received above the allocable portion.
4. Since the audit, PATH has developed new employee timecards that will allow us to track hours worked by contract to comply with CSBG requirements. For employees who work on multiple programs and whose hours cannot be directly connected to serving only CSBG clients, PATH will use our Cost Allocation Plan to determine the portion of their salaries and benefits that ought to be allocated to CSBG.
5. To ensure that future billings are clear, PATH will implement timesheets that show the breakdown of hours worked by contract, and will use the Cost Allocation Plan to allocate costs for employees whose hours cannot be directly connected to serving only CSBG clients.

#### ***COST ALLOCATION PLAN***

Results: PATH's Cost Allocation Plan was prepared in compliance with the County contract. However, PATH did not allocate \$532 in shared costs, such as food, linen services, and office supplies, in accordance with the Agency's Cost Allocation Plan.

#### Recommendations:

PATH management:

6. Repay DPSS \$532;
7. Allocate the shared costs in accordance with their approved Cost Allocation Plan.

#### Response:

6 and 7: PATH will use our Cost Allocation Plan to determine the portion of the shared costs, including food, travel, linen services, and offices supply costs that ought to have been allocated to CSBG, and will repay DPSS for any amount received above the allocable portion. PATH's finance department will ensure that future shared costs will be allocated according to our Cost Allocation Plan.

#### ***CLOSE-OUT REVIEW***

#### Results:

PATH overbilled DPSS \$1,141. Specifically:

- PATH's close-out invoice indicated \$815 more in salaries, travel, and equipment rental costs than the Agency's general Ledger.
- PATH allocated \$231 in telephone charges based on unsupported allocation rate
- PATH billed DPSS \$95 in supplies purchased within the last two months of contract period without obtaining a prior written approval from DPSS as required

Recommendation:

PATH Management:

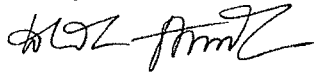
8. Repay DPSS \$1,141.
9. Maintain adequate supporting documentation to support expenditures billed to the program.
10. Ensure that supplies are not purchased during the last two months of the contract period without prior written approval from DPSS.

Response:

8. PATH will repay DPSS for the following:
  - a. \$815 for salaries, travel, and equipment rental costs reported on PATH's close-out invoice that were not included in the general ledger.
  - b. PATH will use our Cost Allocation Plan to determine the portion of the shared telephone costs that ought to have been allocated to CSBG, and will repay DPSS for any amount received above the allocable portion. PATH's finance department will ensure that future shared costs will be allocated according to our Cost Allocation Plan.
  - c. \$95 in supplies purchased within the past two months of the contract period without obtaining prior written approval from DPSS as required.
9. PATH maintains timecards, payroll, invoices, and receipts for all expenditures, including those billed to CSBG. Upon the recommendation of the auditor, we have developed improved employee timecards to allow us to better track and represent the time employees spend for each program. Additionally, our finance department will ensure that future shared costs are allocated according to our Cost Allocation Plan.
10. PATH management has notified our program and finance staff that the CSBG contract requires prior written approval for supplies purchased during the last two months of the contract, and will request prior written approval for future supply purchases made during the final two months of the contract.

We remain grateful for the continued support of DPSS and the CSBG program in allowing us to provide housing and supportive services to homeless individuals and families from Supervisorial District 2. Should you have any questions or need further information, please contact me at (310) 996-0034.

Sincerely,



Keawta Kittithanairan  
Director of Finance